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Funding of Children's Services in the 1980's

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INTRODUCTION

Purpose of This Paper

This paper is presented for two purposes. The first purpose is to provide an update on all activities and proposed developments at the federal level, including the findings of a working group on federal research and

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INTRODUCTION

Purposes of This Paper

This paper is presented for two purposes. The first purpose is to provide the reader with an overview and improved understanding of the issues and problems facing the Ministry as it attempts to resource agencies and programs serving the special needs of children of Ontario. The second purpose is to describe in general terms the approach to funding of children's services that the Government has selected to deal with these problems and issues.

This paper will not discuss issues that relate to the levels of funding made available to children's services, nor will it discuss those many and complicated issues that are related to the sharing of the costs of those services. In the former case, the amounts of funding made available by government for any purpose are, in a democratic society, the results of the political process. In the latter case, the issue of the amount of funding for children's services to be provided by each level of government is still under negotiation between the provincial and municipal governments.

It should be noted that while this paper is a statement of Ministry policy and is not, therefore, a consultation paper, there are a number of elements in this funding approach upon which the Ministry wishes to consult with municipalities, agencies and the public during 1980. These elements will be identified specifically in the text.

Background

The Province's first commitment to the provision of social services to children can be traced back 180 years to The Orphans Act of 1799. However, it was not until the passage of The Act to Provide Goals for Young Offenders (1857) that the principles of provincial grants-in-aid for private institutions and of compulsory municipal taxation to pay for children's services were introduced. These two principles, along with the emergence in the 1860's of a large number of charitable societies for the care of children, represent the roots of the provincial government-municipal government-voluntary sector partnership that characterizes the funding of children's services in Ontario today.

The distinction between neglected, disturbed and delinquent children, while never absolutely clear, began to emerge first in the 1880's and 1890's with the establishment of the Andrew Mercer Reformatory and Female Refuge and with St. John's Training School. The separation between child welfare services and correction services was made even more distinct with the creation of the Department of Reform Institutions in 1946.

The predominant response to the needs of the neglected, orphaned and delinquent children of the nineteenth century was the large institution. From the early part of this century onward, the use of the larger institution began to be replaced by the extensive use of foster care placements and by the use of the professionally administered centers for treatment and care which began to emerge in the 1930's and 1940's. Demand had increased so much during the 1950's and 1960's, particularly for those providing community-based small group care, that a separate children's mental health system emerged to complement the traditional correctional and welfare services systems. The enactment of The Children's Mental Health Centres Act (1971) made the separation formal.

The Children's Mental Health Centres Act, in addition to giving government recognition to a third major group of children (the emotionally disturbed), represented a major departure from previous government policy concerning the financing of children's services. With the passage of the Act, the provincial government undertook to fund totally services to children provided by privately operated agencies. (Note: Some "mental health" services for children had been provided on a free basis by the Province somewhat earlier with the inception of Ontario Health Insurance Plan.)

During World War II, the Province and the federal government entered into a cost-sharing agreement to provide day nursery services to those children whose mothers were engaged in war work. This agreement resulted in the passing of The Day Nurseries Act in 1946. The Act continued the Province's practice of subsidizing children's services in partnership with other levels of government and with the private sector (in this case, by the parents using the services). Thus, by the early 1970's, Ontario was faced with separate children's services systems for child welfare, for corrections, for mental health for pre-dispositional detention and, in effect, for day nurseries. These services have evolved over long periods of time and have been firmly rooted in different traditions, values and attitudes - traditions which do not always view the child and his or her needs in the same way. These services range from large institutions providing basic child care support to small centres providing the most sophisticated and modern forms of treatment; from probation services to day nursery supervision; from foster care to locked security; and from services operated directly by government to those operated by independent boards, private corporations and private individuals.

By the mid-1970's, it became apparent that the separate service systems reflected a division of children's needs that was not as clear as the separation of services would imply. In addition, with the growth of the Province's financial commitment to children's services, integrated and comprehensive policies and planning, budgeting, funding and accountability strategies became essential. Thus, on July 1, 1977 the Children's Services Division of the Ministry of Community and Social Services was formed.

The issues facing the government in the funding of children's services in 1977 were quite different than those of even the previous decade. In the face of an increasingly complex society, of increasing public demand for the provision of services and the relative demise of the voluntary and charitable dollar, there has been a gradual acceptance of the view that children's services should be funded largely or entirely by government. Despite differences in government philosophies, this view has become widely accepted in Canada as a whole. Any differences of opinion have centred around the extent to which these services should be provided and operated by various levels of government or by independent boards, private corporations and individuals. Thus, with the creation of the Division, the Ministry was faced with the need to address three closely related issues:

- o the extent to which the Ministry wishes to determine what services agencies will provide. For example, should the Ministry determine that an agency should provide residential services instead of non- residential services when the Ministry provides all or the majority of the agency's operating funds?
- o the nature of the funding mechanisms by which it will purchase these services
- o the extent to which the Ministry should exercise control over the program practices and funds of agencies and private corporations providing children's services once funds are provided to them.

The next five sections of this paper will examine and discuss these issues.

THE PROBLEMS FACING THE MINISTRY

The First Problem - Allocation of Resources

The basic responsibility of the Ministry is to provide leadership in the setting of social policy. At the heart of this responsibility lies the basic problem of financial decision making - that of taking a fixed and finite number of dollars and allocating them to programs and services designed to pursue government's social policy goals. Any financial strategy that the Ministry adopts to enable it to carry out this mandate must be characterized by flexibility, comprehensiveness, timeliness and efficiency. In addition, that strategy also must allow those who administer it to do so competently and fairly.

The creation of the Children's Services Division of the Ministry of Community and Social Services represents a clear recognition on the part of the Government of Ontario that there are deficiencies in the delivery of services to children and their families in this province. The catalogues of fragmentation in service, of duplication and overlap, and of the lack of comprehensive policy and administration have been presented many times before. They have served to prompt the Ministry to take the major steps forward of the introduction of substantial amendments to children's services legislation, of the development of the first local children's services committees, of rapid development of its information gathering and analysis capacity and of the introduction of the first set of a series of standards and guidelines for service delivery. In addition, a major reorganization and decentralization of Ministry administration and decision making is currently underway. The success of most of these initiatives depends in large part upon the Ministry's ability to determine the amount of funding, the recipients of the funding and the purposes and conditions for which the funds are to be spent.

The Second Problem - Current Financial Strategies

The Division inherited a number of methods of funding children's services when it was created. These methods were set out in the various pieces of legislation governing the programs transferred to it. The different traditions and methods of planning for, budgeting for, funding of and of holding agencies accountable precluded the development of an integrated financial strategy for children's services — a development that is one of the fundamental requirements for an integrated and coordinated system of services to children in Ontario. This section of this paper examines the effects of these differences in traditions and methods.

The Effects of the Various Approaches to Planning in Children's Services

Approaches to planning in human services can range from the use of sophisticated technological tools to simply "muddling through". Human services planning in North America has made full use of the range of approaches available. In Ontario, despite the close scrutiny which children's services have undergone during the past decade and despite keen desires on the part of those delivering services for such models, clear, systematic and analytic models of planning, budgeting, funding, and accountability have been elusive. A consolidated Children's Services Division provides an opportunity to develop such a model. However, the development of effective planning processes has been frustrated to some extent by the following problems:

- o The bulk of the legislation governing children's services is non-specific or open-ended with respect to the crucial issues of what services are to be provided, by whom, for whom and to meet what needs. The major effect of this has been to reduce effective resource control in a number of program areas.
- o The rate of growth in demand for services does not reflect a general and significant province-wide decline in the number of clients within the age groups served by the Division. While it very well may be that the incidence of children in need of service is growing in proportion to the total number of children in the Province, it is not entirely clear what factors are contributing to increased demand for services.
- o There are major and unexplained disparities in the allocation of children's services resources throughout Ontario. Demand for more equitable distribution is growing and will continue to grow as a result of the Ministry's regionalization of its administration. To complicate matters even further, the meaning of "equity" in distribution has been often debated without clear resolution.
- o No meaningful categorization of programs and services exists. Programs and services are grouped by governing legislation without regard to the wide and rich diversity among them. Qualitative and quantitative comparisons among programs and services are difficult if not impossible to make.
- o The tools employed for forecasting service demand and utilization are based almost exclusively on historical experience and not on any of the more highly developed social science forecasting techniques now available. Data on length or duration of service delivery, on unit costs (whatever the unit), on utilization rates or on client characteristics generally were not collected, although the Division has now made major improvements

in these areas as a result of a number of information systems developments and is now in the position to provide some of these data.

- o No control has been exercised, until very recently, over enrichments and volume growth in some program areas (e.g., children's boarding homes).
- o The orientation of the planning processes within both the Division and the agencies that it funds has been toward maintaining and sustaining existing organizations and services rather than toward defining needs and priorities or to forecasting the resources required to meet those needs and priorities.
- o There has been no integration of Government planning processes at the Division level with the planning processes of funded agencies. Since the majority of Division funds flow to funded agencies as opposed to those operated directly by the Government, the effect has been one of producing not one integrated planning process but many different ones.
- o Little systematic public and professional education on the costs of children's services has been undertaken to date. Little effort has been expended at any level in exploring the long-term cost implications of various alternative courses of service offerings.

Budgeting

In the broadest sense, a budget is the translation of financial resources into the policies and purposes of those who draft it. It should assist decision-makers in planning. It should also reflect their priorities. However, the current budgeting systems within the Division have created the following problems:

- o There are wide variations in approaches to budgeting and reporting between and across all types of service organizations funded by the Division. The lack of a uniform system of preparing estimates and reporting expenditures precludes meaningful analysis and comparisons of and between all service agencies.

- o The current budgeting systems within the Division are often confusing to service providers, municipalities and to the public. In some cases, these processes are characterized by heavy administrative control, while in other cases, there are very few administrative controls. Different budget cycles and recent lengthy delays in budget approvals have compounded the problem.
- o Current budget plans do not separate fixed costs from variable costs.
- o The traditional way of preparing the Division budget is such that it does not contain any detail on the very large amount of monies spent on residential services that are purchased by agencies funded by the Division (i.e. Children's Aid Societies). Until the recent introduction of the Rates Review Process, this situation had the effect of reducing the Ministry's ability to ensure appropriate cost controls.
- o Since the Ministry estimates process extrapolates on the basis of historical expenditures by service operator and not by functions or operations, the effect is one of perpetual funding of agencies and of insensitivity to new or shifting priorities.

Funding

The term funding refers to the transfer of funds allocated in the Ministry's budget to individual services and programs that have been identified as appropriately pursuing the goals and objectives upon which the budget is based. Funding approaches can range from those with very few rules attached (i.e. unconditional grants) to those with very extensive rules (i.e. detailed purchase of service contracts). There are examples of all of these approaches operating in children's services today. These approaches have produced the following problems:

- o Current funding systems encourage intervention into the lives of families leading to substitute care, and discourage prevention activities such as working with the family. This is probably the most irrational aspect of the children's services system.
- o There has been little effective control over the setting of rates for reimbursement of services. Cost standards have not been established. Levels of expenditure are not easily equated with quality of service.
- o Analysis of expenditures, where it has taken place, has been along organizational or legislative groupings. This has led to evaluations of expenditures that are generally overly simplistic and, hence, of little value to those who plan or to those who manage.

- o There are financial incentives for referring children to costlier forms of substitute care (i.e. to boarding homes instead of specialized foster care; to Children's Mental Health Centres instead of group homes or foster homes).
- o Actual costs of delivering services to clients and client groupings are not calculated. For example, when foster care costs are calculated they tend not to include the costs of administering a foster care program. The long-term costs of various strategies of intervention have not been explored.
- o There is only very marginal control over volume of service provided and virtually no control over the length or duration of service. This places the Division in the position of being unable to totally control the level of expenditures for certain services.

Accountability

The government's commitment to place the maximum possible decision-making responsibility for children's services at the local level makes the development of effective and appropriate systems of accountability more necessary than ever before. There is a growing feeling within a sophisticated public and reflected in both professional literature and in expressed client dissatisfaction that traditional approaches to children's services have not been entirely effective in meeting the special needs of children. While the Children's Services Division is in the process of developing comprehensive service delivery standards, these standards must almost by necessity be related to matters of program and service input and not to program or service outcomes. Service delivery standards prepare for and permit the possibility of the development of measures of effectiveness. There is a real need to integrate the systems of planning, budgeting and funding with those of standard setting and information gathering to ensure that funds are spent according to priorities, in the most efficient and effective manner. Both financial and service accountability methods within the Division have weaknesses:

- o Funds are distributed to agencies, in most cases, without agreements (formal or informal) with respect to the services to be provided (e.g., type and volume), standards of care required (e.g., competencies and ratios of staff), the target group to be served, or the rates allowed for purchased services (e.g., shelter, clothing, etc.).
- o Program audits of service delivery performance have been virtually non-existent.

- o The availability of additional funds through supplementary estimates undermines accountability for controlling expenditures within certain budgets (e.g., child welfare).
- o There are few incentives for service providers in some program areas (i.e. Children's Aid Societies) to achieve improved efficiencies of operation and possible cost savings.
- o No comprehensive evaluation research has been undertaken on children's services programs. There is little information on how programs are working, who is and who is not receiving their services, what factors contribute to demand for services, how programs organize themselves with respect to delivering these services and what, if any, are the consequences of delivering services in one way compared to another. The absence of this information has adverse consequences for effective planning and management.

The Division has reviewed the existing methods of funding children's services in Ontario and has concluded that these methods are no longer adequate to allow the Ministry to fulfill its basic responsibilities. There are significant weaknesses in the planning, budgeting, funding and accountability systems that were inherited by the Children's Services Division. Perhaps the most significant weakness of all has been the lack of integration of the activities of these systems.

Many of the problems listed above are not unique to Ontario. They are the products, in some instances, of the open-ended nature of much of the legislation governing children's services and, in other instances, of the fragmentation of services that the Division was created to eliminate. However, a significant number of these problems are due to the special nature of the problems in the planning, budgeting, and funding for human services.

CONSTRAINTS ON THE DEVELOPMENT OF A FUNDING APPROACH FOR CHILDREN'S SERVICES

Children's services (indeed all social services) pose special problems for resource management and allocation with which the techniques and principles of both management science and economics cannot adequately cope. In addition, there are serious weaknesses in the straight application of market theory or management systems to social services administration. Both approaches fail to take into account the major roles that the values of the professional provider of service play and how those values affect the organization and delivery of services. Both have much to offer social services. However, both fail to meet the requirements of social services allocation and planning since they do not take fully into account the following features of social services.

General Constraints on Human Services Planning

The general constraints on planning in the human services (health, education, welfare, children's services) are the following:

1. Lack of consensus on what the objectives of services are or should be: There is a general lack of consensus with respect to the objectives of social services policies, in general, and of children's services policies, in particular. Even with respect to the fundamental purposes of children's mental health services, corrections and Children's Aid Societies there are profound disagreements. One need only to ask in public what the purpose of day nursery programming is to test the depth and breadth of such disagreements. This lack of consensus tends to extend from broad policy objectives to individual case objectives. There are even those who would argue that objectives ought not to be set.
2. Lack of agreement about who should set service objectives: The ethic of professional freedom to set objectives for services, to determine who receives them and to determine what services are to be delivered on behalf of the client is a deeply held value within social services. This factor, when coupled with the open-ended nature of much of children's services legislation, has obvious effects on resource management and planning.

3. Lack of a consistent ability to predict the future behaviour and conditions of the clients served by social services: It has become a truism that social services professionals tend to overpredict danger and risk. This is particularly true in children's services, where there is little specificity about the dangers from which it is desirable to protect children or the problems that need to be addressed to produce healthy, productive adults. This factor makes the problem of determining which services to resource particularly complex.
4. Lack of ability to ensure that service provision (particularly coercive service provision) is better than no service provision in the majority of cases: The literature of social services intervention is unable to provide this assurance in the majority of cases. There are some who would argue that many forms of intervention actually make the client's condition worse.
5. Lack of agreement on what constitutes "need": The definition of "needs" is ultimately determined by the values held by those defining it. There is little agreement on basic values among professions or among individuals within the same profession.
6. Lack of agreement on what constitutes a successful outcome: This feature poses at least one obvious problem. How can cost-benefit studies be done without basic agreement on what constitutes the "benefit"?
7. Inadequacy of measurement technology of social services: Even if the problems cited above could be overcome, it would probably still not be possible to determine whether the services that were provided actually achieved the "desired" results (unless relatively simple, measurable outcomes were selected for measurement). The measurement technology is simply not well enough established.
8. Lack of control over the phenomena which produce the demands for service: Those who deliver social services do not control, for example, the economic factors which lead to demands for service. Changes in law, in community attitudes, in education policies, even a change in a local family court judge, can each significantly alter the perceived need for and demand for service. Indeed, many sociologists would argue that the bulk of the demands for social services are based on economic disadvantage and not on any other form of malaise - an argument which calls the efficacy of many of our social services programs into question.

Constraints Specific to Children's Services Planning in Ontario

In addition to the open-ended nature of some children's services legislation described above, and the commitments which have already been made to integration, regionalization and decentralization, there are two features, specific to children's services in Ontario, which need to be considered in the development of a financial strategy for children's services. These are:

1. The "private sector" service provider: The organization and funding of children's services in Ontario during the past number of decades have encouraged the development of a set of traditions of service autonomy that is opposed to strong centralized leadership in planning and resource allocation. A very large portion of the quasi-public service agencies view themselves as private organizations, free to set their own goals and allocate "their" services as they see fit. Government intervention is often viewed as a challenge to their autonomy.
2. The cost-sharing restrictions: Cost-sharing problems are common to all children's services systems in Canada. They are most complicated, however, in Ontario by virtue of:
 - o municipal involvement in the cost-sharing of some children's services programs
 - o lack of a clear rationale for federal cost-sharing under The Canada Assistance Plan for some children's programs and not for other programs which are distinguishable from them only by virtue of the governing provincial legislation.

These restrictions which affect decisions on resource planning and allocation pose particular difficulties for financial and program rationalization (e.g., the problems that are raised when dollars are shifted from cost-shareable programs to programs funded entirely by the Province or vice versa).

These restraints on planning in children's services must be faced squarely in the development of a realistic funding approach for the Children's Services Division.

REQUIREMENTS FOR A FUNDING APPROACH FOR CHILDREN'S SERVICES

General Requirements

The following general requirements for a funding approach for children's services emerge from the above discussion:

1. The setting of a financial objective for the Division: This is essential if any financial strategy is to be meaningfully pursued, and particularly critical in light of the lack of specification of clear program objectives and in light of the open-ended nature of many of the programs. A financial objective should meet the following criteria:
 - o the development of an acceptable level and quality of children's services programming for all regions of Ontario
 - o the establishment and maintainance of a level of children's services expenditures that once reached is not accompanied by unexpected and uncontrolled over-runs.
2. The establishment of a process to allocate funds which recognizes the priority setting role of government and yet is sensitive to local needs and requirements.
3. The establishment of a clear and manageable decision-making process which allows input from all service partners.
4. The provision of information in sufficient time to permit appropriate action to be taken.
5. The capacity to be responsive to program, economic and political realities. Much of the disenchantment experienced throughout the children's services system is rooted in a lack of awareness of political, economic and program constraints. Greater awareness is needed in order to foster more realistic expectations and to develop a greater sense of commitment to the financial strategy devised. A strengthening of the co-operative efforts of both the provincial and local governments and of the agencies is required.

6. Consistency in the description of programs and services throughout the Division (and, ultimately the Ministry) in order to:
 - o permit common discussion
 - o permit consistent evaluation of effectiveness
 - o provide consistent guidance for decision making at all levels
 - o permit cross-program comparisons.
7. The establishment of integrated planning, budgeting, funding and accountability systems within the Division: Planning, budgeting, funding and accountability systems that are conceptually and practically distinct from one another can only serve to undermine the intent of any financial strategy. The requirements for an integrated approach are described below.

Specific Requirements for Planning, Budgeting, Funding and Accountability Systems Within the Children's Services Division

Planning in children's services in Ontario should:

- o be done with sufficient time allowed and with a clearly defined process to permit appropriate input from all levels of the system
- o provide decision makers with information on the impact of different policies and resource allocation decisions
- o permit realistic priority setting at the Ministry, regional and local levels
- o recognize and take into account constraints on planning in human services
- o encourage regular examination of the "base" budget
- o be responsive to the changing needs of a declining and shifting child population.

Budgeting in the Children's Services Division should:

- o permit cost comparisons of performing similar activities in different settings or programs over time
- o relate proposed expenditures to the policies, goals and objectives of the Division
- o permit the presentation of a variety of budgetary perspectives (e.g. by program, by region, by client group)
- o permit timely and adequate negotiations on the basis of an appropriately defined budget process
- o be characterized by clear statements of budget guidelines and information required to support budget requests
- o permit ongoing monitoring of expenditure variances
- o permit regional and local negotiations of agency budgets.

Funding approaches in children's services should:

- o ensure reasonable and fair reimbursement to the providers of services in amounts sufficient to accomplish defined program purposes and priorities
- o be based on a common and comparable cost analysis system
- o reconcile the need for purchaser flexibility with the need for provider stability, encouraging responsiveness on the part of the service provider to the changing requirements of the client and to the priorities of the purchaser
- o ensure that the basic strengths of the competitive market are balanced with the need to ensure that there are no hidden or unexpected incentives within the funding system (e.g., to provide substitute care or to lengthen the period of substitute care) that run counter to the policies and goals of the Ministry
- o permit the planned creation of incentives to perform in accordance with the policies and goals of the Ministry
- o reduce the probability of unforeseen enrichments of services
- o be responsive to changes in utilization rates and patterns

- o permit negotiation between funders and providers concerning the goals, types and amounts of service to be provided
- o provide incentives for efficiency
- o contain children's services costs within reasonable limits.

Accountability approaches within the Children's Services Division should:

- o accommodate and support the concept of regional administration and local children's services committees
- o have the capacity of monitoring the effects of policies and resource allocation decisions
- o clarify the roles and responsibilities of the various participants in children's services
- o clearly define the measures and methods whereby all participants will be held accountable for exercising their responsibilities
- o have the capacity to monitor how clients move through the children's services system. This will allow an improved ability to co-ordinate services and to analyze how the "system" deals with clients
- o permit variety approaches to the evaluation of children's services programs including internal and external evaluation of the impact
- o encourage fundamental and applied research.

FUNDING OPTIONS

Given the problems facing the Ministry and its requirements for a rational resource allocation strategy for children's services, four broad categories of funding approaches were available to it:

- o global budgeting approaches
- o line-by-line approaches
- o outcomes or systems approaches
- o services approaches.

Currently, versions of all these approaches are operating in children's services.

Global Budgeting Approaches (Grants)

This category of funding approaches involves the identification of broad program areas (such as mental health, child welfare). Overall sums of money are then allocated to these program areas. Agencies then compete for a share of the overall allocation. Once an agency is given a sum of money to provide a service, control is exercised only over the total amount given but not over portions of that amount, other than to ensure that regulations and standards are met. Thus, the money allocated is basically a grant for the provision of a service that is defined only in general terms.

The approaches have the potential of meeting only some of the requirements noted above. Specifically, they:

- o permit the control of overall expenditures
- o provide great flexibility to agencies in expenditures and service delivery
- o permit some degree of negotiation.

However, these same approaches possess a number of characteristics that do not satisfy the Ministry's requirements. Specifically:

- o Inequities in existing allocations of funds are perpetuated.
- o The system is open to abuse (e.g., low salaries paid to staff, excessive funds put toward amortization of mortgages, etc.)
- o It becomes impossible to obtain different budget perspectives or comparisons.
- o These approaches tend to be insensitive to changing government priorities and requirements
- o They tend to leave service agencies with minimal levels of accountability
- o They do not permit the linking of expenditures to overall government policies and goals.

Line-by-Line Approaches (Regulation)

In this category of approaches, program areas are identified, overall sums of money are allocated and providers of service compete for a share of the allocations. However, instead of adopting a grants or global budgeting approach, the funder works with the agency to identify all costs and the budgeted expenditures in each cost area. The funder then controls expenditures in terms of each cost area and permits agencies flexibility in varying expenditures only after prior funder approval. The funder thereby ensures reasonable expenditures are made on rent, mortgage repayment, food, transportation, etc.

These approaches also meet some of the Ministry's requirements cited above. Specifically, they:

- o can provide tighter control over expenditures
- o permit the creation of different budgetary perspectives
- o permit a degree of government/agency negotiation
- o allow government an easier method of ensuring that regulations and standards are being met (e.g., staffing ratios).

These approaches, however, have a number of major disadvantages that argue against their use in children's services. These disadvantages are:

- o Government has assumed total responsibility without total control. (i.e. Government has assumed control only of the level of expenditures and not of service level).
- o The role and authority of private boards and agencies are seriously limited.
- o Realistic priority setting is not possible.
- o The original allocations (the "base") are not examined as to their rationale, fairness or appropriateness.
- o It is difficult to develop program performance incentives.
- o The administrative burden and costs are very high for both government and agencies.

Outcomes or Systems Approaches

Often referred to as program budgeting, outcomes or systems approaches involve the funder working with the agency to identify the results that will be achieved by the agency for the funding provided. These approaches require a technical process whereby programs are broken down into a series of detailed activities for each of which a specific result or outcome is identified. Reimbursement for the agency is then based on the extent to which it achieves these results or outcomes.

These approaches permit a government to:

- o define exactly what it is purchasing down to a great level of detail, thereby better justifying and controlling expenditures
- o link its own and agency planning, goal setting and evaluation exercises
- o provide for improved control over resource allocation
- o carry out more meaningful cost comparisons
- o develop program performance incentives
- o clarify the responsibilities of all parties.

These approaches, however, have a number of significant disadvantages. Specifically:

- o They fail to take into account the general constraints on planning in human services described above. (See, again, pages 11-14)
- o Even when it has been found that objectives are sufficiently measurable, the expense of developing them and maintaining them has been found to be almost prohibitive.
- o They tend to produce plans in large government organizations that are highly complex, technical and inflexible.
- o They tend to over-concentrate on structures such as institutions.
- o They provide only one view or perspective of the budget.
- o They require a highly centralized decision making organization and a large bureaucracy to maintain them.

Services Approaches

The difficulty of defining quantifiable outcomes in the social services area can be offset through one category of approaches involving the government defining the types of services that it wishes to purchase. This means that different levels of funding are identified according to the different types of services provided. The objectives of these types of approaches are to establish consistency in funding the various providers of similar service while recognizing at the same time, that the different requirements of individual children have differing cost implications. These approaches, therefore, are aimed at allowing government to define the level of service to be purchased to a sufficient degree of detail to ensure appropriate expenditure without total government interference in the operations of the funded agency. While it is possible within this category of approaches to adopt a detailed level of control, such a level of control is not deemed to be necessary, so long as both government and the agency are satisfied with the level of specificity in definition of the various types of services being funded.

There are a number of significant advantages to these approaches:

- o Overall expenditure control is permitted.
- o They provide a consistent basis for funding similar services across different program areas.

- o While not attaining the sophistication of an outcomes approach, they do provide a basic definition through a levels-of-service statement of what it is that government is purchasing.
- o They are highly sensitive and flexible with respect to service, political and economic realities.
- o They provide less intrusion into the private agency system than do line-by-line approaches, while still allowing greater control and comparative ability than global approaches.
- o They allow for fairer competition between competing agencies through the use of more meaningfully comparable data.
- o They are adaptable to all children's services programs.
- o They can be introduced in a phased manner.

The major disadvantages of these approaches are primarily:

- o They would represent a significant change from current practices for the majority of agencies funded by the Ministry.
- o They do not provide measurable outcomes to the same degree or level as do outcome or systems approaches.

Approval of A Services Approach

Having reviewed the various broad approaches to funding in the light of the problems facing the Ministry in its mandate to rationalize children's services, the Government has given the Ministry the approval to proceed with the implementation of a services approach to funding children's services. The elements of this approach are discussed in general terms in the next two sections of this paper. The final section of this paper outlines the specific steps to be taken to commence the implementation of this approach for Children's Aid Societies in 1980.

THE FUNDING APPROACH FOR CHILDREN'S SERVICES IN THE 1980's

Goals of the Funding Approach

The goals of the new funding approach are the following:

- o to improve the Ministry's capacity to allocate and manage its resources according to its priorities and to identified need
- o to establish financial control over children's services expenditure levels (volume and cost control)
- o to assist in the development of a capacity to support local decision making in children's services
- o to link together the Division's systems of planning, budgeting, funding and accountability
- o to ensure a more equitable distribution of resources in accordance with identified need.

Elements of the Funding Approach

The new funding approach contains the following key elements which are described in detail in the next section of this paper.

- o setting of financial objectives
- o establishment of an ability to control the inventory of residential resources serving the Division
- o establishment of a more clearly defined planning process
- o the improvement of the Division's capacity to monitor services and utilization rates
- o development of a budgeting and reimbursement system that permits equity in allocation to regions, comparisons of expenditures across different programs and overall budgetary control

1. The setting of financial objectives: As was pointed out earlier in this paper, the Province is particularly vulnerable to overexpenditures in children's services because of the open-ended nature of many programs (particularly Child Welfare). In the long run, these over-expenditures in these areas lead to a reduction in the resources available for other priority areas for services. While some controls may be realized through increased regulation, the Province will continue to be in this position unless it sets financial objectives for children's services expenditures. The setting of such an objective will serve both to provide guidance for those who manage the Division and to stabilize growth in total expenditures. Most importantly, the setting of such an objective (an objective, which, in effect states that there is a limit to the total amount of funds available for children's services) will serve to provide the most significant incentive for all levels of resource management within the Division to consolidate and to set priorities. The Division also will set financial objectives for its region's programs and activities.

2. Establishment of an ability to plan and to balance the inventory of residential and non-residential care: The Division has had some difficulty in determining:
 - o the appropriate number of residential beds available for service
 - o the appropriate location of those beds
 - o the appropriate level of resources required to support those beds (and, hence, the cost of those beds)
 - o the appropriate types of service provided for those children occupying these beds.

This area of children's services represents a second problem facing the Division, that is the need to plan and address the need for residential care resources. The Division also needs to address the issue of what would appear to be a growing proportion of the total children being served who are being placed in substitute care. Not only are there clear short-term financial incentives for reducing the volume of substitute care placements such as in group homes, institutions and foster homes (these placements account for over 50% of the total Division budget), there are major long-term program and financial reasons for gaining some measure of direction and planning for the resources receiving these placements. In a later section of this paper, steps are described for the elimination of some of these incentives in Children's Aid Society funding. Coupled with the setting of financial objectives, this should provide a major incentive to re-examine priorities in the area of residential care.

3. Establishment of a more clearly defined planning process: This planning process has the following key elements:
 - o a planning cycle which starts at least 6-9 months in advance of the budget cycle
 - o a uniform format for data collection on resources
 - o the systematic collection and analysis of key social indicators
 - o the regular provision of information to those involved in resource planning in both the public and the private children's services sectors, particularly at the local level
 - o the evaluation of the impact of existing and proposed expenditures
 - o a commitment to public education on the major issues affecting children's services.

4. Improvement of the Division's capacity to monitor services and service utilization: Improvement of the Ministry's capacity to monitor the services it funds and their utilization was cited as one of the major goals in forming the Division. The monitoring function for the Division has improved capacity to:
 - o review quality of care through realistic and acceptable minimal levels of standards setting and monitoring
 - o evaluate and improve organizational efficiency and effectiveness through comprehensive operational reviews of selected programs
 - o track and therefore protect individual children
 - o analyze utilization
 - o analyze and compare actual and planned expenditures.

5. A standardized budgeting and reimbursement system: As was indicated earlier, one of the major obstacles to resource allocation and resource planning has been the absence of a standard classification of activities and expenditures. The budgeting and reimbursement system selected for children's services in Ontario has the following two principal elements:

- o a standardized classification system for services, functions, providers and expenditures
- o a service-based allocation system.

This approach, which has been under development within the Division during the past year, permits:

- o a reduction in the demand for information from some agencies (i.e. those controlled line-by-line) and an increase in the amount required from others (i.e. those funded on a global budget basis)
- o more meaningful cost comparisons and, hence, improved decision making
- o improved capability to adjust overall allocations
- o the production of a variety of different budget and allocation patterns (e.g. by region, by function, by service type, etc.).

This approach reflects a beginning assumption that the Division should intervene in the financial operations of an agency only on an exceptional basis. These exceptions would primarily be when an agency is clearly operating at expenditure levels above "standards" in any of the categories of the classification system, or where resources are being improperly used. The Division would also inquire more thoroughly into the practices of agencies which fall significantly below "standards" in any of the various categories of the classification system so that efficiencies and/or improved competition might be realized. Ultimately, in the long run, standardized "rates of service" could be developed and implemented.

A second assumption is that a variety of degrees of evaluation and control can be achieved through various types of agreements and/or contracts that may range in specificity over such items as types and levels of service to be

provided, costs and volume of service to be provided, and clients to be served. The degree of control to be exercised through such agreements would vary according to the needs of the Division.

Overall, the intrusion into the internal financial affairs of the majority private agencies by the Division will be significantly reduced from the current level for some, however, the new funding approach actually may produced some increase from the current level.

DESCRIPTION OF THE BUDGETING AND REIMBURSEMENT SYSTEM

Purpose

The purpose of this section is to outline the budgeting and reimbursement system developed by the Division during the past year, and one half. While further work will need to be done over the next few years, to "iron out the bugs", it is the Ministry's intention that the services approach to funding be applied to the funding of all Children's Services Division agencies. Much of this work will need to be directed toward determining the extent to which the purchase of service concept can or should be applied to all agencies. There are a number of other similar issues that arise out of this budgeting and reimbursement system. They will be highlighted below. Thus, with this in mind, the following elements and issues are discussed:

- o a standardized system of classification of services, functions, service providers and expenditures
- o a service-based allocation system using the classification system
- o implementation considerations
- o the strengths of and drawbacks of the new system.

The Standardized Classification System

One of the major requirements identified for a financial strategy for the Division is a standard system of classification for:

- o services
- o functions
- o service providers
- o expenditures.

The following classification system has been developed over the past year, and successfully tested on a sample of 13% of all funded children's services agencies across all program areas. Data has now been collected on over 70% of all agencies (excluding Day Nurseries).

Services

Eight service types have been identified into which all expenditures are to be classified. These are:

- 1) primary prevention
- 2) residential services
- 3) day care
- 4) home service
- 5) outpatient-office interviews
- 6) teaching
- 7) research
- 8) system administration (provided by the Children's Services Division, central, regional and area offices, Local Children's Services Committees).

Day care, home service and outpatient/office interviews may be aggregated to produce a category called non-residential services.

For detailed definitions of these service types, see Appendix A.

Functions

Within service types 2, 3, 4 and 5 there are four functions:

- 1) case identification/case management
- 2) basic care
- 3) counselling/therapy/treatment
- 4) administration.

See Appendix A for detailed definitions.

Service Providers

Service types 2, 3, 4 and 5 can also be used to classify types of service providers. For example, the following residential service provider type classification has been developed:

- o foster homes
- o one parent model group homes
- o two parent model group homes
- o staff model group homes/institutions.

It is important to note that any one agency or corporation could provide services in more than one service type classification.

The Ministry will seek to improve and refine these definitions during the course of the coming year after data collection according to these categories has been completed on all funded agencies. Input will be sought from agencies and associations and municipalities.

Expenditures

A standard expenditure classification has been developed for all service providers with the following elements:

1) Provided Services

- a) shelter - mortgage/rent
 - other
- b) salaries
- c) staff benefits
- d) food
- e) clothing/uniforms
- f) transportation
- g) other child maintenance expenses
- h) special service-related expenses
- i) administrative expenses.

2) Purchased and Free Services

- a) foster care
- b) other residential care
- c) day care
- d) expenses related to free service.

This classification scheme is described in Appendix II. It can be modified and improved to meet any additional Division and Ministry requirements. Work will continue on it during the coming year.

The Service-Based Allocation System

The purpose of the service-based allocation system described below is to permit the Division to allocate its resources by service type, by region, by area, and by provider type. (In the long run, the Division may also seek to extend the allocation process to a further degree of refinement by the addition of the step of allocation by function.) The following is a "top-down" description of the proposed allocation system. It is important to note that this system can also be described from a "bottom-up" approach. The Ministry recognizes the need for both types of planning.

1. Divisional allocation: Prior to a new budget period, the Division will establish a percentage allocation by service type for the entire service system. This allocation could be the same as last year or be adjusted to implement policy decisions of the government. For example, if the policies of the Ministry were to:

o reduce	- administration	20%
	- residential services	10%
	- research	10%
o increase	- home services	12%
	- outpatients	20%
	- prevention	20%

then the percentage allocation for next year, compared to last year, could be:

THE DIVISION'S ALLOCATION OF MONIES

	<u>Last Year's Expenditures*</u>	<u>Next Year's Allocation*</u>
Prevention	1.0%	1.2%
Residential	43.0	38.7
Day care	12.0	12.0
Home service	35.0	39.2
Outpatient	2.5	3.0
Teaching	0.5	0.5
Research	0.5	0.4
Administration	5.5	5.0
100.0	<u>100.0</u>	

* Not actual figures.

When the Division receives its total allocation from the Ministry it can then allocate it to service types according to this distribution to form the strategic plan for next year. It is important to note that these are planned objectives; in practice there may be reasons why these objectives cannot be fully achieved.

2. Allocations to regions - aggregate amount: The long-term objective of the Division should be to allocate children's services funds to the regions in a way that reflects the relative need for services to children in each region. There are three major factors that need to be considered:
 - o Child population: The population of children in a region should be a significant factor in determining regional allocations.
 - o Special factors: Regional variation in socio-economic-geographic conditions should be accounted for in the allocation method.
 - o Inter-regional services: Some children resident in one region will of course, receive services from another region. An inter-regional charge-back system will be required to account for this. This system would allow for the development of specialized resources at a Provincial level and, at the same time, permit access to these services from all regions.

The Ministry intends to begin its allocation to Children's Aid Societies in 1981 on the basis of child population weighted to reflect social, geographic and economic factors* (see the next section of this paper) and to commence allocation of other funds to its regional offices on the same basis in the near future.

3. Allocation to regions by service types: In order to complete the service based allocation system to the regions, the Division, within this system would then be in the position to divide the aggregate Regional allocation into service types. (e.g. so much for prevention, so much for residential care, etc.) Previous year actual expenditures within each service type within each region can be calculated using the Staff Salary, Time and Expenditures Analysis Reporting System**. Divisional policy priorities could then be translated into plans to shifting allocations of dollars within these service types.

* The Division has prepared a review of the literature on the use of social indicators and a description of the methods it intends to employ to develop this method of allocation. Copies and process of this paper are available upon request.

** See item 6 below

4. Allocations within regions: Once the regional allocations by service type have been set, each region would then be in a position to allocate these funds into two groupings:
 - o Funds to be administered from the regional office: These would include funds for regional administration, prevention, teaching and research. These funds might then be transferred to certain agencies through contracts such as those employed recently by the Division for the allocation of its prevention funds. These Regionally administered funds would also include an amount to cover expected additional funds for individual children.
 - o Funds to be transferred to providers: These funds that would pay for residential, home, day care, and outpatient services - both provided and purchased.
5. Allocations to providers: Actual expenditures by service type, obtained from the Staff Salary, Time and Expenditure Analysis, would be required for each provider in order to carry out this allocation. A service provider might then receive funds for one or more of the service types described above. For example, a Children's Mental Health Centre might receive funds for providing Residential Treatment, Home Service, and Outpatient Service. It might, in addition receive funds from the regional office to maintain a research service, a teaching service and to operate a prevention program. By the same token, a Children's Institution or a Children's Aid Society might also provide some or all of these same services if they met Ministry conditions and Regional priorities.

Agencies providing these various services could receive their funds by way of one of the following broad general methods covering each of the service types provided:

- o approved budgets
- o purchase of service agreements

In either method it is intended that fixed and variable costs be separately identified.

6. The Staff Salary, Time and Expenditure Analysis Procedure

The primary information element which is not readily available at this time is the level of expenditure by service type by provider. This information will come from the Staff Salary, Time and Expenditure Analysis procedure. This procedure should produce the required statistical information by year-end on all providers of service in the system.

This procedure could be used regularly in the future to:

- a) develop system-wide uniform rates of reimbursement or formulae for units of service
- b) examine and analyze unusual expenditures on the part of providers
- c) assist agencies and the Division in management and in the achievement of cost efficiencies.

Implementation Considerations

Current Service Provider Funding Mechanisms

The implementation of any new approach to funding service providers in children's services must first take into account the providers' current funding mechanisms and their characteristics. The following table classifies providers by their current service type and funding method.

CURRENT SERVICE TYPE CLASSIFICATIONS AND FUNDING METHODS

Type of Current Provider Funding	Service Type	
	Residential	Non-Residential
<u>Transfer Payments</u>	I.	
Per diem-based funding	<ol style="list-style-type: none"> 1. Children's Boarding Homes 2. Corrections Group Homes* 3. Children's Institutions 4. Charitable Institutions 	
 Budget-based funding	II. <ol style="list-style-type: none"> 1. C.A.S. group homes/institutions 2. C.M.H.C.'s 3. Children's M.R. facilities (some) 4. O/D Homes (some)* 5. St. John's Training School 6. C.A.S. Supervision of Residential Care 	IV. <ol style="list-style-type: none"> 1. C.A.S.'s 2. C.M.H.C.'s (some) 3. Children's M.R. facilities (some) 4. Children's Institutions (some) 5. Day Nurseries 6. St. John's Training School
<u>Directly Operated by Government</u>	III.	V.
Budget-based funding	<ol style="list-style-type: none"> 1. Training Schools 2. O/D Homes (some) 3. Children's M.R. facilities (some) 4. C.H.M.C.'s (some) 5. Probation and Aftercare Supervision of Residential Care 	<ol style="list-style-type: none"> 1. Probation & Aftercare Supervision of Residential Care 2. Children's M.R. facilities (some)

* Paid out of Direct Operating Expenditures of the Ministry

The second issue which needs to be examined when considering the implementation of the new approach to funding service providers relates to the sequencing and timing of each step. Specifically, the different categories of providers in children's services will be more or less amenable to:

- a) the service-based allocation system at the regional level
- b) the service-based allocation system at the provider level
- c) a standardized expenditure classification and reporting system
- d) standard rates for services
- e) the concept of contracting for services (either through purchase of service agreements or through approved budgets).

The intention over the long run would be to introduce the concept of purchase of service for as many providers as possible. However, because of the variety of current arrangements for funding these group of providers, the implications of purchase of service and the timing of its introduction may be different for each group. Also, it may be determined that purchase of service contracts are not appropriate for some classes of providers.

During the course of the next fiscal year, the Division will be examining and consulting with agencies, associations and municipalities on these issues.

In addition to the need to examine these two issues, the Division during the course of the next year, needs to collect, refine and analyze the following categories of information:

- o expenditure data by service type, by region and by provider
- o child population and social indicator data.

The Division intends to work closely with individual agencies to improve and refine the expenditure data by service type and to provide improved data analysis and feedback to agencies.

Advantages and Constraint

Advantages

There are a number of strengths of the new funding system. Specifically:

1. It meets all the requirements of a financial allocation and reimbursement system for Children's Services Division cited earlier.
2. It can be implemented in stages.
3. The majority of Children's Aid Societies and a number of Children's Mental Health Centres are already budgeting by service type (though with different definitions).
4. It permits the development and implementation of financial incentives to pursue Division policy objectives.
5. It is compatible with developments under way elsewhere in the Ministry.
6. Given sufficient lead time and training, it is anticipated that this approach will assist agencies to provide improved levels of service to children and a greater level of accountability to the communities that they serve. It provides:
 - a) in most areas, generally, greater flexibility within agency budgets than is currently the case
 - b) a method of comparing performance across all agencies
 - c) a greater degree of fairness in allocation of resources
 - d) allocations which can be tied to numerical valuations of "need"
 - e) less in the way of reporting requirements of the Ministry for the majority of agencies.

Constraint

Perhaps the most significant constraint to the new funding system is that it requires at least some change for everyone within Children's Services. It is a constraint, however, that will diminish in importance as the Division embarks upon an implementation process that is both responsibly paced and that allows sufficient attention to the training of those who will work within the new system.

THE FIRST STEP - THE FUNDING OF CHILDREN'S AID SOCIETIES IN 1980-81

The purpose of this section of this paper is to provide a description of the application to Children's Aid Societies of the services approach to funding in 1980 and 1981.

Problems With the Existing Method of Funding Children's Aid Societies

Planning

The Ministry has encountered the following specific problems with respect to planning for Children's Aid Societies:

- o The ambiguity of The Child Welfare Act (particularly with respect to Section 6()(c) has made the funding of Children's Aid Societies the most obvious example of open-ended programming in the Ministry. For example:
 - During the last decade and even during the last three years, the total allocation to Children's Aid Societies has significantly exceeded the rate of inflation. Yet, government is constantly criticized for inadequate funding of Societies.

- o The actual rate of growth in funding individual Societies bears little relationship to changes in child population, workload or any other identified factor. Some Societies have fallen behind the rate of inflation. Other Societies have had as much as a 29% increase in expenditures between 1977-1978 even after allowance is made for inflation. The Province, on the other hand, is experiencing an overall decline in child population of approximately 12%.

A number of reviews of Children's Aid Societies undertaken during the past decade have criticized both the Ministry and the Societies for weaknesses in planning processes and for inadequate use of available data. Agencies have been criticized for their lack of:

- significant board involvement in supervision and management of the agency
 - written goals and objectives
 - written intake and placement policies and criteria
 - up-to-date and utilized policies and procedures manuals.
- o There has been insufficient control over:
 - opening of Society-operated group homes despite high fixed costs and low utilization rates
 - high staff turnover rates and the number of formally trained social work staff
 - the growth and location of children's boarding homes.

Budgeting

The following problems exist in what is perhaps the most problematic and controversial area in Children's Aid Societies:

- o Recent staff-time and expenditure analysis surveys have found that a significant proportion of Society salaries is expended on administrative activities. Preliminary analysis indicates that much of this administrative time is spent on activities related directly to Ministry and municipal budget process requirements and to various government information requirements.

- o The pegging of workload factors at the 1975 level has built inequities into the allocation system.
- o Despite Ministry attempts to equalize salary discrepancies between Societies, settlements between staff and Societies have been in some cases as high as 15% per annum.
- o The budget cycle for a Children's Aid Society for one fiscal year now lasts an average of nearly two years. The best that a Society can hope to accomplish is budget approval three months after the beginning of their fiscal year. Some Societies require approval of their budget from as many as 22 separate municipalities. Thus, the Ministry, the municipalities and the Societies are in a chronic state of uncertainty with respect to the total cost of Children's Aid Society services.
- o The Ministry's attempts to control cost through line-by-line negotiation/regulation have created a good deal of animosity and mistrust between Societies and the Ministry. These have also led, from time to time, to instructions that conflict with one another and with Ministry policies. There are no incentives for Societies to achieve efficiencies and economies in their operation.

Funding

Many of the criticisms of the current methods of funding reflect the following problems:

- o There are wide and unexplained variations among Societies in every line item in their budgets. These variations remain even when corrections are made for child population variations.
- o Three Societies in 1978 accounted for 61% of all purchased residential group care placements in Societies despite having less than 29.3% of the total child population of the province.
- o Societies compare with one another for purchased care resources, thereby creating an artificial inflationary factor in the cost of purchased care.

Accountability

Both financial and service accountability reflect the following problems:

- o As autonomous agencies, Societies have interpreted their mandates broadly and have developed structures, programs and services that vary widely from Society to Society.
- o The volume of cases served, duration of service time for cases, or cost of service per case have been largely unpredictable and vary widely from Society to Society.

GOALS OF THE SERVICES APPROACH TO THE FUNDING OF CHILDREN'S AID SOCIETIES

In the light of these problems, the Ministry has set the following objectives for the services approach to the funding of Children's Aid Societies:

- o to re-establish the role of the Boards of Directors of Societies in the supervision, direction and setting of priorities for their agencies.
- o to establish a more equitable method of funding of Children's Aid Societies by tying funding to child population
- o to begin the phased introduction of the services approach to allocation to Children's Aid Societies
- o to replace the current methods of budget approval/negotiation with a more simplified and more meaningful allocation procedure
- o to establish firmly the role, authority and effectiveness of regional and area offices in the supervision of Children's Aid Societies
- o to reduce the time spent by Ministry, municipal and Society staff in Society budget preparation and approval.

Key Elements of the Services Approach in 1980-81

Fiscal 1980-81 is to be viewed as a transition year from the current funding methods to the services approach to funding. Thus, many aspects of the services approach will be introduced this year and then fully implemented in fiscal 1981-82.

The application to Children's Aid Societies of the services approach to funding has the following key elements that will be introduced in fiscal 1980-81:

- o creation of two separate budgets for each Society

- o establishment of the "true" base for each Society
- o earlier budget approval
- o introduction of approved service plans
- o a substantial reduction in the current requirements for Society reporting
- o a start on a child population-based allocation system
- o setting of a ceiling for expenditures for each Society
- o introduction of incentives for achieving efficiencies and economies
- o development of special strategies for assisting individual Societies to adapt to the new approach and to take full advantage of its benefits
- o improved collection and use of utilization monitoring data and improvement of the Ministry's and Societies' abilities to take quick corrective action on variances.

These elements are described briefly below.

1. Creation of two separate budgets for each Society: Society budgets will be separated into two "service" budgets, residential and non-residential. Each budget will be broken down into further service types such as foster homes, group homes, etc. Each budget will be approved separately, and movements of funds from non-residential budgets to residential budgets will not be permitted without prior Ministry approval. The Ministry currently can establish the separation of these two budgets from the current Form 033 Reporting System. Movements from residential to non-residential budgets will be encouraged. Funding on the basis of caseload will be eliminated.

The accounts classification system currently employed by Societies and the Ministry will remain in place this year.

2. Establishment of the "true" base for each Society: Currently, each Society has its budget base frequently adjusted in the course of the year because of supplementary approvals, special project funding and provincial grants. For the first time ever, each Society and, hence, each municipality will know the Society's total allocation at the beginning of the year. Thus, for this year, each Society's base would include its portion of all new 1979-80 initiatives monies as well as the 1979 approved supplementaries.

3. Earlier budget approval: The Ministry plans to issue detailed budget instructions to Societies for 1980 by mid-December of this year. The Ministry plans to begin to complete its review of 1979 supplementary estimates submissions by January 31, 1980 (subject to any adjustments that might be necessary after submission of the Societies' final audited statements). Thus, the Ministry and municipalities should be in the position to approve 1980 budgets beginning the end of February, 1980.
4. Approved service plans: Each Society will be required to submit two service plans supporting its requests for approval for its residential and non-residential care budgets. These service plans will clearly link budget items to service plans. While the great majority of Society service plans should be completed and approved by early September of 1980, service plan approval by the Ministry will not be required as part of the budget approval process until fiscal 1981-82. The Ministry will work closely with Boards and staff of Societies during 1980 to assist them in the development of their service plans.

Societies will be required to report quarterly to the Ministry on their service plans beginning in fiscal 81-82.

5. Reduced reporting requirements: The Ministry recognizes the considerable burden that the current statistical and financial reporting requirements place on them, and is therefore undertaking the commitment to work with the O.A.C.A.S. and Societies to substantially reduce these reporting requirements by mid-1980.
6. A start on a child population-based allocation system: Key to the success of this approach to funding is the shifting from a system of allocation on the basis of caseload to one which reflects the number of children within a given area. Caseload measurement systems are largely unreliable and subject to artificial inflation. The number of children in a given area, weighted to account for certain inter-regional differences such as urban-rural characteristics, socio-economic conditions and relative levels of other services, is a much more reliable and sensitive measure of equity in allocation.

The Ministry will not make any adjustments in allocation to individual Societies in fiscal 1980-81 on the basis of child population other than some minor upward adjustments to allow some Societies to achieve a more equitable starting position.

The Ministry will consult with Societies and with municipalities on the factors which should be used to adjust the child population-based allocation from March to September 1980 and publish the weighting factors selected by October, 1980.

The Ministry will then begin differential allocation for individual Societies on the basis of weighted child population in 1981-82.

7. The setting of a ceiling on expenditures for each Society: Society expenditures will be limited to the approved budgets. Since the focus of the allocation decision is shifted from volume of cases to child population, additional funds for volume increases will not normally be allowed in the non-residential budget. Some volume increases might be allowed in the residential care budget. However, the size of these increases will likely be reduced by the early warning mechanisms of the tracking system and the accompanying rates review process and by the requirement for early notification of expenditure over-runs and requests for review. In any case, Societies will be allowed volume increases only in exceptional circumstances, only after the Ministry is satisfied that they are legitimate and unforeseen, and only after the Ministry is satisfied that the Society has exhausted all other possibilities within its own budgets. Societies will be required to consult with Ministry staff as soon as these circumstances become apparent. The total budget will be allocated at the beginning of the year.
8. Introduction of incentives for achieving efficiencies and economies: One of the major attractions of this approach is that Societies will be encouraged to achieve efficiencies and economies and possible savings, and not have these savings recovered by the Province. For example, Societies may be able to achieve economies in outside purchased residential care and apply these to non-residential services.
9. Development of special strategies for assisting individual Societies: The Ministry will be working with selected individual Societies to assist them to adapt to this new approach to funding and to take full advantage of its benefits. Included in these strategies will be the following:
 - o extensive consultation with and training of Societies in service plan development

- o publication by the Ministry by the end of February, 1980 of a series of "performance indicators" (e.g., the maximum percentage of total budget that can be allocated to administration, the percentage of children in specialized purchased care, etc.); individual Society performances then will be reported along with comparative data on other Societies back to Society Boards on a quarterly basis
 - o continuation of the operational review process
 - o identification of efficiencies and economies that Societies might pursue as determined either through the operational review process or the Staff Salary, Time and Expenditure Analysis.
10. Improvement of the Ministry's and Societies' abilities to respond to budget and service level variances: Despite the fact that the basis for allocation will have shifted from caseload to child population, it will still be necessary to monitor Society month-to-month variances in these performance indicators and in particular, month-to-month variances in workload and in children in care. These variances will be reviewed with the Society and Ministry staff regularly so that corrective action can be taken. Thorough case audits by the Ministry will be employed on an as needed basis.

The Ministry is committed to reducing to an absolute minimum the amount of information required from Societies by government. The Ministry currently has information systems in place that will permit this monitoring of utilization data and has, as well, a number of new systems including the tracking system scheduled for full implementation by the beginning of this fiscal year which will enhance its monitoring capabilities.

Effects of the Approach

The services approach to funding Children's Aid Societies has a number of major advantages:

- o The approach introduces a new management relationship between the Ministry, Societies and municipalities that stresses services to children and families, greater Board and Society accountability and greater local autonomy and flexibility.
- o This approach should be well received by most Societies and municipalities since it is simpler, more fair and equitable, and more flexible, and it should reduce budget review and processing costs.

- o More meaningful cost comparisons will be possible.
- o No legislative changes are required to implement it.
- o It does not affect the municipal cost-sharing formula.
- o It encourages efficiency and economy.

APPENDIX A

DEFINITIONS FOR THE STANDARDIZED CLASSIFICATION SYSTEM

I Agency

The term used to describe those voluntary, commercial or quasi-governmental bodies funded by the Ministry to provide social services.

II Services

a) Primary Prevention*

Primary prevention comprises those activities having as their goal the reduction of numbers of clients entering the children's services system. Prevention projects may be time-limited or not, but they must have discrete objectives. Prevention work relates to groups rather than individual clients or cases.

Examples:

- o parent effectiveness training
- o immigrant acculturation programs
- o life skills programs
- o identification of high risk groups.

b) Residential Services

The term residential services refers to the provision of 24-hour care and accommodation for children that is either provided, purchased and/or supervised by the reporting organization. These services are provided in the following settings:

- o Own Facilities: Facilities which are owned, operated or provided by the reporting organization, e.g., C.A.S.s' own group homes.
- o Purchased Facilities: Facilities whose services are purchased by the reporting organization at a set per diem plus expenses not covered by the per diem.
- o Purchased Foster Care: A substitute family which has been recruited by and is accountable to a Children's Services Division service provider, e.g., C.A.S. or Probation and Aftercare. Within this context, substitute family does not refer to group homes or institutions.
- o Free Institutions: Facilities to which no fee is paid by the reporting organization for receipt of services, e.g., general hospitals, children's mental health centres, observation and Detention Homes.

* While primary prevention is currently treated as a function in the Staff Salary, Time and Expenditure Analysis, the intention of the Ministry is to budget and fund this as a separate service.

c) Non-residential Services.

This term refers to the provision of support, supervision, guidance, education, counselling and/or therapy for children and/or their families by staff members of the reporting organization in a non-residential setting.

i) Day Care

The term "Day Care" refers to service provided through day nurseries' and children's mental health centres' programs, as follows:

- o provision of therapeutic and/or educational experiences to children and/or their families when the children are not residents in a children's mental health treatment centre
- o provision of substitute parental care to children; either with or without provision of educational and/or therapeutic experiences; during a specified portion of a 24-hour period.

ii) Home Service

Provision of supervision/counselling/therapy/treatment to children and/or their families in their own homes.

iii) Outpatient/Office Interviews

Provision of supervision/counselling/therapy/treatment to children and/or their families individually or in groups in an office or a clinical setting.

d) Teaching

Delivering formal academic sessions and informally teaching and supervising social work students, child care worker students, psychiatric residents and interns, psychology students, early childhood education students, etc. Within this context, teaching does not include teaching children at any level nor does it pertain to the teaching or supervision of staff or to staff development activities where staff take courses outside the facility.

e) Research

Designing and carrying out pure or fundamental research, and supervising research assistants and technicians, regardless of how the research is funded. Research does not pertain to individual cases.

f) System Administration

Administrative services provided by Children's Services Division central, regional and area offices and Local Children's Services Committees (when in place).

III Functions

a) Case Identification/Case Management

Case identification/case management comprises those activities that an employee performs in order to plan, initiate, control and terminate services to meet the needs of an individual or family. It encompasses the following activities:

1. **Advocacy (legal):** Those activities in which the worker acts on behalf of a child, guards his best interests and protects his rights.

Examples:

- o child welfare protection hearings
- o juvenile court appearances.

2. **Assessment (formal):** Those activities whereby the client and his situation are examined and analyzed in order to determine whether assistance is needed and if so, what forms of assistance are appropriate.

Examples:

- o social assessment
- o psychological assessment
- o psychiatric assessment
- o physical assessment
- o medical assessment
- o vocational assessment
- o rehabilitative assessment
- o family interaction assessment
- o placement needs assessment.

3. **Brokerage and liaison:** Those activities whereby the worker communicates with agencies providing support services to a client to ensure that the services being provided are meeting the client's needs and are consistent with and/or complementary to the services being provided by the primary agency. This function includes acting as an intermediary between the child and another resource which is providing or will provide service to him.

Examples:

- o contacting other agencies re specific clients
 - o monitoring services to which a child is referred to make sure that the child's needs are being met
 - o reporting suspected abuse cases to the Children's Aid Society or public health
 - o following up on the progress of the child once he has left the agency.
4. Case conference: The meeting of appropriate personnel (intra-agency or inter-agency) to discuss a child's or a family's situation (e.g., problems, progress, etc.) in order to determine a suitable and coordinated strategy for meeting the needs of the client.

Examples:

- o child abuse case conferences
 - o conferences between social worker and teacher.
5. Diversion: Those processes which channel individual clients who have social conflicts which are normally dealt with by the legal system to an alternative program or process for resolution.

Examples:

- o victim-offender reconciliation
 - o restitution programs
 - o community service orders.
6. Intake and screening: Those activities whereby a decision is made as to whether the agency offers those resources necessary to meet the client's needs.

Examples:

- o taking a case history
 - o determining which services, if any, the client previously received within the system.
7. Interviewing: Interactions between personnel and the client (either face-to-face or telephone) for the purpose of gathering data and disseminating information. Interviewing does not include formal assessment or counselling/therapy/treatment.

Examples:

- o providing advice to a client on family planning
- o eliciting information from the client at his initial agency contact
- o informing the client as to what services are offered by the agency or program.

8. **Investigation:** Those activities aimed at verifying a client's life situation as described by the client or referral source. Investigation is primarily a short-term, fact-finding survey.

Examples:

- o checking on reports of abuse or neglect
- o checking reports that a child is in need of protection
- o preparing pre-sentence reports.

9. **Monitoring:** Those activities whereby the worker has on-going contact with a client to maintain awareness of the client's situation and progress.

Examples:

- o observation activities of home workers in O/D homes
- o checking with the client regarding his progress
- o making collateral contacts with other agencies and persons regarding the client's progress
- o maintaining regularly scheduled contacts with an individual and/or a family.

10. **Placement activities:** Those activities aimed at finding appropriate placement resources for children and supporting these resources to ensure that they are meeting the needs of the children they serve. This includes working with prospective adoptive parents.

Examples:

- o placement by children's mental health centres of children within their own facilities
- o Children's Aid Society adoption placement
- o Children's Aid Society foster care placement
- o securing appropriate community living arrangements for children 16 years or older who, while not requiring residential care or foster care, are not able to live in their own home.

11. **Report writing:** Documenting in writing the process and the results of work with individual clients.

Examples:

- o updating files
- o filing reports with the Child Abuse Registry
- o preparing assessment reports, referral reports, follow-up reports and case histories.

12. **Transportation:** Those activities whereby a worker travels to perform his job.

Examples:

- o travelling necessary to provide home service
- o travelling to take children to appointments (medical, dental, etc.)
- o travelling in order to take children to visit their parents.

b) Basic Care

Basic care consists of 24 continuous hours per day of essential child care in a residential setting, or in the case of day care, care during those hours when the child is in the facility. Basic care is care that would ordinarily be provided by a parent. In a residential setting, providers of basic care assist the child to deal with emotional problems often experienced by children in residential care (e.g., problems of rejection, separation, anxiety).

Basic care is normally carried out by child care workers, foster parents (or other substitute parents), supervisors of juveniles, early childhood educators, observation and detention workers, etc.

Examples:

- o the provision of quality child rearing or parenting adapted to each child's individual needs
- o the provision of acceptable physical care
- o the provision of age-appropriate developmental care contributing to social, emotional and intellectual growth
- o promoting good health, sleep and personal care routines for the child
- o planning and implementing creative and stimulating leisure time activities
- o encouraging and assisting the child in school work and/or employment-related activities
- o complementing and encouraging the child's relationship to his own or substitute family, his peers, and other persons who are significant to the child.

c) Counselling/Therapy/Treatment

Counselling or therapy is a purposeful set of face-to-face interactions between a counsellor/therapist and a person experiencing personal or interpersonal difficulties and/or physical disabilities. The counselling/therapeutic situation is a form of treatment that:

- o enables individuals and/or families to resolve problems or temporary stress situations
- o promotes sound personality development and social functioning in a person experiencing personal and interpersonal problems
- o examines anti-social behaviour and assists in the resolution of psychological, interpersonal and social problems related to this behaviour
- o assists individuals with physical disabilities to maximize their physical potential and cope with their emotional responses to the handicap.

In general, the primary objectives of counselling/therapy are to assist the client's/patient's personal growth and development by changing attitudes or behaviour, reducing interpersonal stress, and increasing capacity to manage life situations. This function is normally carried out by social workers, psychiatrists, psychologists, etc., but may be carried out by child care workers, early childhood educators, etc.

Examples:

- o psychotherapy
- o psychoanalysis
- o family therapy and/or counselling
- o group therapy and/or counselling
- o recreation therapy
- o play therapy
- o reality therapy
- o positive peer culture
- o guided group interaction
- o chemotherapy
- o behaviour analysis
- o behaviour therapy
- o physical therapy
- o speech therapy.

d) Administration

Administration includes activities not included in categories a through c which do not involve provision of direct services to a client, but which allow and facilitate the provision of such services by organizing and maintaining the system in which the services are delivered. Included in administrative activities are: financial administration, public relations, liaison with government(s), liaison with the community, office management, program management and facility management.

Examples:

- o accounting
- o auditing
- o bookkeeping
- o chauffeuring
- o cooking (by kitchen staff only)
- o dealing with staffing and personnel matters
- o designing and maintaining information systems
- o filing
- o maintaining property (e.g., housekeeping, gardening)
- o preparing budgets
- o staff training and development (e.g., supervision of individual workers, provision of in-house training programs, attendance at seminars or courses)
- o typing
- o volunteer recruitment and coordination.

APPENDIX B

DEFINITIONS OF EXPENDITURE CLASSIFICATION ITEMS

Provided Services

The term provided services refers to those services delivered directly to children and/or their families by the reporting agency.

a) Shelter Costs

Shelter costs are related to the following: areas maintained as work, recreation and living space for children; living and working space used by child care workers or other staff whose duties are concerned exclusively with the basic care of children; space used by administrative staff; and, space used by staff providing counselling, therapy and treatment for children. Shelter costs include mortgage or rent and other shelter costs:

o Shelter: Mortgage/Rent

Mortgage includes principal and interest payments, and rent includes payments to a landlord for the use of property. If the rent includes electricity, fuel and water, their estimated value is reported under other shelter costs.

o Shelter: Other

Other shelter costs include the costs of:

- electricity, fuel and water
- insurance (excluding automobile insurance) and taxes
- purchasing home equipment, furnishings under \$300.00 per item, e.g., dishes, pots and pans, vacuum cleaners, bed linens, housekeeping supplies, etc.
- maintaining and repairing the building(s), its equipment, furnishings and grounds (excluding capital expenditures).

b) Salaries

Salary costs comprise compensation to full or part-time staff members (not persons receiving fees for service) including 4% vacation allowance and severance pay. Included are costs of:

- o personnel carrying out basic child care functions (child care workers, house parents, etc.)
- o personnel whose time is used to assess, diagnose and/or treat children and families, e.g. social workers, psychiatrist, psychologist
- o personnel who carry out administrative functions, including:

- directors and administrators
- clerical and accounting staff
- management staff
- maintenance staff
- cooks and domestic staff.

c) Staff Benefits

Staff benefit costs are expenses paid on behalf of employees of the agency. Included in this classification are the following: costs of employer's contribution to pension plans, group insurance plans, medical plans, unemployment insurance, Canada Pension Plan, workmen's compensation and other benefits paid on behalf of employees.

d) Food

The cost of food consumed by children in care, staff and guests of the facility. Includes all food for resident children and staff whether prepared in the facility, brought in or eaten out, including school and work lunches. Food-related expenses such as salaries of cooks and cost of kitchen equipment are not included.

e) Clothing/Uniforms

The cost of clothes provided for the children and uniforms provided for the staff.

f) Transportation

Travel costs incurred by the facility on behalf of children and staff in rendering services to the children.

These include:

- o normal day-to-day travel costs
- o group excursions, outings
- o travel to the child's home
- o lease of vehicles, oil, gas, repairs, licensing, insurance, etc.

These do not include expenditures over \$300.00 or depreciation.

g) Other Child Maintenance Expenses

These include:

- o recreational costs incurred by the facility through: provision of equipment for organized play, sports, hobbies and crafts; attendance of children at community sporting events; participation of children in camping experiences; fees for residents enrolled in swimming, gymnastics programs; cable television fees
- o costs incurred by the facility through: provision of allowances for personal spending; normal school expenses, including school supplies, books, student and gym fees, material or fees for special classes, fees for class excursions; haircuts, toiletries and cosmetics
- o laundry and drycleaning for children and staff.

These do not include expenditures over \$300.00 or depreciation.

h) Special Service-Related Expenses

These include child-related fees and other expenses for professional services, e.g., consultation, assessment, and homemaker services.

Included are:

- o special non-recurring expenses for children receiving services that are not related to counselling/therapy/treatment (e.g., medical and dental supplies, dental fees, eyeglasses, crutches, wheelchairs, first aid supplies, legal fees, court-imposed costs, homemaker service)
- o expenses, including fee-for-service expenses, related to the counselling/therapy/treatment of children receiving services (e.g., drugs, medication, rehabilitation, exercises, psychiatrists' fees, pre-sentence reports).

Fee-for-service expenses related to the reporting agency's administrative affairs are excluded.

i) Administration Expenses

These are costs incurred by the facility in operating the office and administrative structure including:

- o staff training and development expenses incurred by staff (e.g., costs of courses, conferences); ordinary office expenses such as postage, stationery, telephone, xeroxing, etc.; promotion and publicity expenses
- o purchased services incurred for administration, e.g., legal fees (related to the agency's affairs), auditing and accounting fees, bookkeeping services, management or business consultants' fees; all other administrative expenses.

Purchased and Free Services

Purchased services include both residential and day care services purchased at a per diem rate, expenses not covered by per diems, and retainers. Free service is service provided by "free institutions" for which no fee is paid by the reporting organization.

Purchased and free service costs include:

a) Foster Care

Cost of care provided to a child or children by a substitute family. Within this context, substitute family does not refer to group homes or institutions.

b) Other Residential Care

Cost of all purchased residential services excluding foster care.

c) Day Care

Cost of purchasing services in a regular or therapeutic day nursery, day care program, etc.

d) Expenses Related to Free Service

Cost to the reporting organization of expenses related to children placed in free institutions.

APPENDIX C

Children's Aid Societies Child Population Changes and Current Child Per-Capita Funding

		Child Population Change from 1976-1978 (1) %	C.A.S. 1978 Audited Actuals Per 1978 Child Capita (2) \$
1.	Algoma	- 12	35.86
2.	Brant	- 11	50.13
3.	Bruce	- 6	28.09
4.	Dufferin	18	21.62
5.	Durham	- 3	23.04
6.	Elgin	- 16	23.24
7.	Essex	- 13	51.32
8.	Essex R.C.	- 13	43.26
9.	Frontenac	- 12	31.81
10.	Grey	- 10	31.85
11.	Haldimand	- 16	19.96
12.	Halton	- 5	20.56
13.	Hamilton	- 17	48.43
14.	Hamilton Cath.	- 17	41.25
15.	Hastings	- 16	32.76
16.	Huron	- 18	31.31
17.	Kapuskasing	- 18	73.69
18.	Kawartha-Haliburton	- 14	24.23
19.	Kenora	- 23	85.95
20.	Kent	- 14	30.44
21.	Lambton	- 8	26.36
22.	Lanark	- 25	35.56
23.	Leeds & Grenville	- 16	26.62
24.	Lennox & Addington	- 22	27.02
25.	London & Middlesex	- 14	42.99
26.	Muskoka	- 9	53.01
27.	Niagara Region	- 19	54.88
28.	Nipissing	- 13	29.87
29.	Norfolk	- 15	34.04
30.	Northumberland	- 14	30.10
31.	Ottawa & Carleton	- 10	69.27
32.	Oxford	- 10	21.74
33.	Parry Sound	- 22	47.62
34.	Peel	12	27.22
35.	Perth	- 22	26.27
36.	Porcupine & Dist.	- 18	52.39
37.	Prescott & Russell	- 7	39.17
38.	Prince Edward	- 22	37.01
39.	Rainy River	- 24	48.47
40.	Renfrew	- 20	30.06
41.	Simcoe	- 3	25.46
42.	Stormont, Dundas & Glengarry	- 23	37.66
43.	Sudbury	- 13	45.58
44.	Temiskaming	- 23	45.85
45.	Thunder Bay	- 8	47.52
46.	Toronto	- 21	77.89
47.	Toronto Cath.	- 21	69.06
48.	Waterloo	2	28.38
49.	Wellington	5	30.09
50.	York	19	22.58
51.	J.F.C.S.	- 21	36.09
	ONTARIO	- 12	44.97

